Supreme Court, U.S.
FILED
AUG 18 2003
OFFICE OF THE CLERK

(3)

No. 02-1765

IN THE

Supreme Court of the United States

GEORGE S. ALLEN,

Petitioner,

v.

HOWMEDICA LEIBINGER, INC.,
HOWMEDICA, INC. and PFIZER, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

WILLIAM K. WELLS
Counsel of Record
R. PAUL ZEINEDDIN
RONALD L. SIGWORTH
KENYON & KENYON
1500 K Street
Washington, DC 20005
(202) 220-4200

Attorneys for Petitioner

182529

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

15 pp

TABLE OF CONTENTS

Page

Table of Cited Authorities ii

I. Introduction 1

II. Defendants' Lengthy Rendition of Facts in its Opposition Are Irrelevant to the Issue of Notice and Due Process Raised in this Petition. 2

III. Reasons For Granting The Petition 4

A. Defendants' Concessions That They Did Not Move on Issues upon Which Summary Judgment Rests Evidence a Failure to Notice Non-Movant 4

1. Defendants' Concede They Did Not Move on the Misleading Issue 4

2. Defendants' Concede They Did Not Move on the Bad Faith Issue 6

3. This Panel's *per Curiam* Decision Conflicts with Another Panel's Ruling in *Bemis* Regarding a Similarly-Situated Litigant 8

B. Defendants Cannot Rely on Alternative Grounds 8

C. By Arbitrarily Designating its *per Curiam* Order as Non-Precedential, the Federal Circuit Panel Treats Similarly-Situated Litigants Unequally 8

IV. Conclusion 10

TABLE OF CITED AUTHORITIES

Page

CASES

Anastasoff v. United States, 223 F.3d 898 (8th Cir. 2000), *vacating as moot on other grounds*, 235 F.3d 1054 (8th Cir. 2000) (*en banc*) 9, 10

Batterton v. Francis, 432 U.S. 416 (1977) 9

Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc., 21 Fed. Appx. 930 (Fed. Cir. 2001) 8

Castrol Inc. v. Pennzoil Co., 987 F.2d 939 (3d Cir. 1993) 3

Celotex Corp. v. Catrett, 477 U.S. 317 (1986) ... 1, 2, 5, 10

Chambers Development Co. v. Passaic County Utilities Authority, 62 F.3d 582 (3d Cir. 1995) .. 5

Massey v. Congress Life Ins. Co., 116 F.3d 1414 (11th Cir. 1997) 5

Massey v. Del Labs., Inc., 118 F.3d 1568 (Fed. Cir. 1997) 7

Pinaud v. County of Suffolk, 52 F.3d 1139 (2d Cir. 1995) 5

Singleton v. Wulff, 428 U.S. 106 (1976) 8

Cited Authorities

Page

CONSTITUTIONAL PROVISIONS

U.S. Const. Amend. V 1, 8, 9

STATUTES

15 U.S.C. § 1125(a)(1)(B) 3

RULES

D.C. Cir. R. 28(c)(1)(B) 9

Fed. Cir. Rule 36 9

Fed. Cir. Rule 47.6 ..... 9, 10

I. Introduction

This case concerns whether Defendants, which admitted their patent was invalid and procured through inequitable conduct, could nevertheless promote that patent in the marketplace to put Plaintiff Dr. Allen out of business and capture the market for new medical technology. The district court condoned this conduct and the Federal Circuit affirmed. That order should not stand because it incorrectly affirms that summary judgment may be granted *sua sponte* without first placing the losing party on notice that "she had to come forward with all of her evidence" on dispositive issues. *Celotex Corp. v. Catrett*, 477 U.S. 317, 326 (1986). This directly contravenes binding precedent of this Court, the Third Circuit and other appellate courts.

Respondents assert in their Opposition that Petitioner was on notice to respond with all his rebutting evidence, despite their concession that they failed to raise or mention the dispositive issues. By granting this Petition, the Court may resolve the confusion surrounding the proper notice standard in summary judgment proceedings and ensure that specialized appellate courts do not act with institutional bias. Furthermore, the Court has not addressed the level of notice required under *Celotex* since 1986, and it should make clear that once a moving party concedes an issue in its summary judgment briefing, the non-movant is no longer under any obligation to address that issue.

Additionally, courts' discretion to designate judgments as non-precedential should not be permitted because it allows courts to apply the law unequally to similarly-situated litigants in violation of the Fifth Amendment. By labeling a judgment that departs from binding precedent as non-precedential, the court's departure is insulated from further scrutiny by other courts, the bar, and legal scholars, resulting in inconsistent case law and potential judicial abuse in violation of the Fifth Amendment. It also would permit the Federal Circuit to hide decisions which would otherwise be subjected to severe criticism of the entire bar for arbitrarily condoning the gross

misuse of patents. Local rules should not permit courts to ignore binding precedent in an unconstitutional manner. The Supreme Court should set guidelines to prevent an abuse of the rules that result in two bodies of law, precedential judgments that meet due process and non-precedential ones that do not.

II. Defendants' Lengthy Rendition of Facts in its Opposition Are Irrelevant to the Issue of Notice and Due Process Raised in this Petition.

The question posed by Petitioner Allen is not whether there are facts that may have supported Defendant Respondents at trial, but whether he received notice of the issues on which Defendants moved on summary judgment, consistent with the prescriptions of this Court in *Celotex*. In its Opposition, Defendants delve into a lengthy exposition of facts in an improper attempt to raise inferences in their favor. Defendants also fail to recognize that they conceded "bad faith" and failed to move on it in briefing "unenforceability" and "misleading" issues in their summary judgment. Instead, Defendants argue that *Allen* failed to introduce evidence of inequitable conduct (*i.e.*, unenforceability). (Opp. 13). But Allen had no reason to submit evidence on this issue because Defendants never moved on bad faith as associated with unenforceability. In fact, the absence of inequitable conduct as a contested issue was specifically noted by the district court in its decision, stating that it "will not address these allegations." (App. 18a, n.5). Consequently, the record is devoid of both argument and fact surrounding inequitable conduct as a basis of establishing bad faith since neither party raised the issue, and no court has addressed it. Yet, without any explanation, the district court decided the issue in favor of Defendants without noticing Allen.

The district court also overlooked Defendants' acknowledgment that their "misleading" statements concerning their patent position were not part of its motion and therefore not properly before any court for consideration. Defendants assert they did not move on a misleading cause of action because Allen did not include it in his pleadings. (Opp. 23, n.6). That is

nonsense. The Complaint specifically made a Lanham Act claim which requires a claimant show *either* a false or misleading statement of fact in promoting goods. 15 U.S.C. § 1125(a)(1)(B). The district court clearly understood the Lanham Act disjunctively contemplates both "false" or "misleading" representations, holding that at least one of Defendants' statements was *misleading* (rather than "literally false") and raised an issue which should be submitted to the trier of fact. (App. 16a).

Furthermore, Petitioners' new argument that the misleading issue was not raised in the Complaint belies their own summary judgment motion where they argued that their statements were not "deceptive." Deception becomes relevant only with respect to "misleading" representations, because it is presumed with respect to literally false statements. *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943 (3d Cir. 1993). If Respondents really believe that Allen had somehow eschewed the "misleading" aspect of a Lanham Act cause of action, all their arguments based on the absence of "deception" would have been moot. More importantly, in their answering brief in opposition to Allen's motion for partial summary judgment, Defendants acknowledged that Allen had a claim for misleading statements, but did not raise it in his partial summary judgment motion. (LCR at L42).

Thus the record is crystal clear that the "misleading" nature of the statements was not raised in either parties' motions for summary judgment and therefore cannot be a basis for summary disposition of the case. Although the district court found that there was a material issue of fact with respect to misleading statements which should be tried by the jury, for some inexplicable reason the district court did not address that knowledge of a statement as misleading constitutes bad faith. Even though the district court's oversight was brought to the attention of the Federal Circuit, they ignored it.

As Allen had no notice that he could be subjected to summary judgment on the "unenforceability" and "misleading"

elements of his causes of action, he did not propound evidence to justify these allegations. For example, testimony between Allen, his investment banker, customers and Defendants, concerning the effect of the misleading statements on the marketplace are not in the record. Conduct such as paying fees to keep the '457 patent in force despite admitting that certain of its claims were invalid; and admissions of in-house counsel that they knew of the invalidity of their patent from a very early date, and yet continued to assert the patent in the marketplace, are other examples of misleading acts that were not addressed and which should not be disposed of by summary judgment.

The facts set forth by Respondents do not change the underlying premise that certain issues were not before the trial court when it granted summary judgment. There is abundant evidence that Defendants in this case willfully and deliberately used a patent they knew was invalid to destroy valuable new technology which competed with Defendants. Allen has never had an opportunity to put that evidence in the record and argue it before any court.

III. Reasons For Granting The Petition

A. Defendants' Concessions That They Did Not Move on Issues upon Which Summary Judgment Rests Evidence a Failure to Notice Non-Movant

1. Defendants' Concede They Did Not Move on the Misleading Issue

Despite Defendants' concession that they "did not move on a 'misleading' cause of action", (Opp. 23, n.6), the Federal Circuit affirmed the district court's grant of summary judgment *sua sponte* against Allen based on issues he did not know the court was considering. Defendants specifically omitted the "misleading" issue from their summary judgment motion, choosing instead to move on other grounds of literal falsity, deception, and causation. (Opp. 12, 13). Nevertheless, the district court looked beyond Defendants' motion and held that although a jury could find that certain statements to Picker were misleading, the misleading representation was not made in bad

faith. The district court did not ask for briefing on this issue and declined to hear oral argument in granting summary judgment *sua sponte* against Allen.

However, given Defendants' concession, Defendants admit that they did not brief the applicability of the Lanham Act with respect to Defendants' misleading marketplace representations. Without notice that Defendants were moving for summary judgment on the misleading nature of its statements, Allen was under no obligation to present evidence to avoid summary judgment. Indeed, Allen pointed out in briefing before the district court that he need not address whether Defendants' misleading representations were made in bad faith to defeat Defendant's summary judgment motion because the issue was not discussed by Defendants.

Because Allen did not receive notice, he was not afforded an opportunity to present evidence and argument in opposition to an issue that Defendants never raised. Under *Celotex*, the non-movant bears the burden of responding *only after* the moving party has met its burden of coming forward to show the absence of evidence to support one or more essential elements of the non-movants' case. *Celotex,* 477 U.S. at 324-25. By expressly conceding that they did not move on any misleading representations, Defendants clearly have failed to meet their burden.

Summary judgment may be granted *sua sponte* only with proper notice to a non-movant. By affirming the district court's decision in a *per curiam* disposition, the Federal Circuit condoned the propriety of granting summary judgment against a non-moving party without notice. This directly conflicts with this Court's ruling in *Celotex*, as well as the holdings of other federal appellate courts. *See Chambers Dev. Co. v. Passaic County Util. Auth.*, 62 F.3d 582, 584 n.5 (3d Cir. 1995); *Massey v. Congress Life Ins. Co.,* 116 F.3d 1414, 1417-18 (11th Cir. 1997); *Pinaud v. County of Suffolk,* 52 F.3d 1139, 1160 (2d Cir. 1995).

2. Defendants' Concede They Did Not Move on the Bad Faith Issue

Defendants' frank concession before a panel of the Federal Circuit during oral argument that they failed to move for summary judgment on the issue of bad faith belies their argument before this Court that they raised the potentially dispositive issue. (Opp. 19). Equally without merit are its assertions that the issue was properly before the court because Allen raised bad faith in his responsive briefing, and in connection with *Allen's* narrowly focused *partial* summary judgment motion. (Opp. 19-22). In their Opposition, Defendants claim that "in their opening brief [they] identified evidence which . . . demonstrated the absence of a genuine issue of material fact on the issue of bad faith." (Opp. 19). Nonsense. It is clear that Defendants presented no facts or argument on this issue. In fact, when pressed for a straight answer before the Federal Circuit, Defendants' counsel backtracked, conceding they did not move on bad faith:

> HUTZ: . . . the issue of bad faith was never conceded by the Defendants in their motion for summary judgment.
>
> JUDGE NEWMAN: No, it looks very clear as if the defendant didn't want the question of good or bad faith to be on the table, sir.
>
> HUTZ: That was not an issue that we moved on in our original motion for summary judgment and I will certainly concede that.

This concession is further evidenced by Defendants explicit waiver of any reliance on that issue in their summary judgment reply brief: "Defendants will not address Allen's accusations regarding bad faith conduct here because they are not relevant to Defendants' motion." (Ldg at L-3). As if that were not clear enough, Defendants stated that they were assuming for purposes of their motion that they knew their patent was invalid, *i.e.*, bad faith. (Ldg at L-2). Defendants do not and cannot point to any place in their motion in which they clearly placed Allen on notice that he was required to prove bad faith.

Instead, Defendants argue that Allen's opposition to their summary judgment motion served as notice that bad faith was in issue. (Opp. 19). However, Allen specifically noted bad faith was "*not discussed by Defendants,*" (LCR at L21), and pointed out that he "need not address that element here to defeat their motion." (LCR at L24). Allen clearly did not regard himself as being on notice, and indeed was not on notice. Defendants also rely on the fact that Allen moved for partial summary judgment on bad faith associated with literal falsity, as if that could substitute for their own failure to do so. (Opp. 19-22). The Federal Circuit has previously rejected this contention. *Massey v. Del Labs., Inc.,* 118 F.3d 1568, 1571 (Fed. Cir. 1997).

Moreover, Defendants wrongly assert that Allen relied on the same evidence set forth in his answering brief as that in his partial cross-motion. (Opp. 20). Allen moved only on one of his three claims, and presented only one of several possible bases for finding bad faith in his own, narrowly crafted cross-motion. Even as to that basis, he relied principally on selective evidence unlikely to be disputed, such as Defendants' own admissions. Finally, Defendants chastise Allen for failing to identify in appellate briefing "the evidence of bad faith that he supposedly chose to withhold." (Opp. 21). However, they fail to note that such evidence is outside the record and, consequently, inappropriate for appellate review.

In sum, the district court did not afford Allen notice and an opportunity to address an issue that it found disposed of his cause of action. The court's actions are particularly egregious where, as here, the Defendants expressly conceded that the issues were not raised in their motion and they did not place Allen on notice that they were moving for summary judgment. When a party concedes an issue, that should be enough. This ruling contradicts this Court's precedent, and places an untenable burden on all non-moving parties by requiring them to anticipate and brief every imaginable issue. This would have an invidious effect on our courts by requiring them to sift through prolix briefing. By granting Allen's Petition, the Court could clear up

the confusion as to what the proper standard is for notice in summary judgment proceedings.

3. This Panel's *per Curiam* Decision Conflicts with Another Panel's Ruling in *Bemis* Regarding a Similarly-Situated Litigant

Although Allen is no different than the appellant in *Bemis*, the Federal Circuit there reached a contrary ruling. *Bemis Manufacturing Co. v. Dornoch Medical Sys., Inc.*, 21 Fed. Appx. 930 (Fed. Cir. 2001) (summary judgment vacated where no notice given). Defendants attempt to distinguish *Bemis* on the facts; however, they provide none. (Opp. 22).

B. Defendants Cannot Rely on Alternative Grounds

Defendants ask this Court to consider numerous alternative grounds which the district court did not address. There is no indication that any court relied on any of Defendant's alternative arguments. Where the merits have not been sufficiently developed by the trial court, an appellate court should decline to exercise its discretion to entertain alternative grounds. *Singleton v. Wulff*, 428 U.S. 106, 120-21 (1976). By permitting the lower court to address the merits first, a full record can be developed for appellate review. Examination of these alternative grounds requires extensive *de novo* review of testimony and evidence. Thus, review of these alternative grounds is a factually laden endeavor ill-suited for appellate consideration.

C. By Arbitrarily Designating its *per Curiam* Order as Non-Precedential, the Federal Circuit Panel Treats Similarly-Situated Litigants Unequally

The practice of designating judgments as non-precedential violates the Fifth Amendment right to equal protection and due process because it allows a court to depart from binding precedent, leading to unequal treatment of similarly-situated litigants. As a result, this practice permits courts to immunize their inequitable dispositions from further judicial scrutiny. This permits the court to "create an underground body of law good for one place and time only" and that courts may "choose for themselves, from among all

the cases they decide, those that they will follow in the future and those that they need not." *Anastasoff v. United States*, 223 F.3d 898, 904 (8th Cir. 2000), *vacating on other grounds*, 235 F.3d 1054 (8th Cir. 2000). "This discretion is completely inconsistent with the doctrine of precedent." *Id.* at 905.

Defendant mischaracterizes Allen's petition by wrongly assuming his real constitutional challenge is raised with respect to the practice of issuing judgments without opinions under Fed. Cir. R. 36. (Opp. 27). "The question presented here is not whether opinions ought to be published [or issued], but whether they ought to have precedential effect, whether published or not." *Id.* at 904. Allen challenges the constitutionality of Rule 47.6 because the Fifth Amendment violation lies in a court's *disposal* of an appeal (regardless of whether it issues a formal or *per curiam* opinion) that may *not* be cited as precedent under Rule 47.6. This designation results in a judgment applied to one litigant–and that litigant only.

Defendants proffer the idea that a case in which a non-precedential published (rather than *per curiam*) opinion would perhaps be more worthy of this Court's review. However, the constitutional violations are more egregious where courts issue *per curiam* judgments that merely rubber-stamp decisions[1] contrary to binding precedent because there is less judicial reasoning for the bar to scrutinize, thereby secreting justice. Likewise, *per curiam* judgments greatly diminish opportunity for appellate *en banc* review.

Defendants also suggest that striking Fed. Cir. R. 47.6 would have far-reaching implications "in every federal circuit." (Opp. 27). However, they fail to note that the D.C. Circuit has already adopted a contrary rule permitting unpublished non-precedential judgments or orders to be citable as precedent. D.C. Cir. R. 28(c)(1)(B). Further, the Eight Circuit in *Anastasoff* had declared a rule limiting use of non-precedential judgments as unconstitutional before it vacated the ruling on other grounds.

1. A *per curiam* order effectively adopts a lower court's opinion. *Batterton v. Francis*, 432 U.S. 416, 423 (1977).

And although the *en banc* court understood the issue was of great significance, it nevertheless denied review of the "open question." *Anastasoff*, 223 F.3d at 904. By granting the Petition, the Court could resolve this rules conflict.

Finally, Defendants suggest that Rule 47.6 is necessary to permit a court to effectively manage its case load because, their argument goes, courts "do not have time to do a decent enough job . . . to justify treating every opinion as precedent. If this is true, the judicial system is indeed in serious trouble, but the remedy is not to create an underground body of law good for one place and time only. The remedy, instead, is to create enough judgeships to handle the volume." *Id.* at 904. Further, to alleviate their burden, courts can issue abbreviated opinions or merely adopt the lower court's opinion–all of which do not necessitate non-precedential denomination. Ineffective case management is not an excuse for creating less thorough, less careful and less reasoned judgments which lack uniformity. Courts' discretion to designate judgments as non-precedential should not "allow[] us to depart from the law set out in such prior decisions without any reason to differentiate the cases. *Id.* at 905. To permit otherwise would not allow the law to expand and change "in response to the dictates of reason, and not because judges have simply changed their minds." *Id.*

IV. Conclusion

The Court should grant this Petition to address the constitutional issues raised in issuing non-precedential judgments and revisit summary judgment notice requirements under *Celotex*.

Respectfully submitted,

WILLIAM K. WELLS
Counsel of Record
R. PAUL ZEINEDDIN
RONALD L. SIGWORTH
KENYON & KENYON
1500 K Street
Washington, DC 20005
(202) 220-4200

Attorneys for Petitioner